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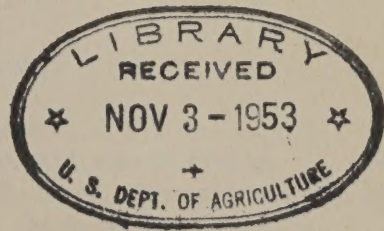
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U.S. RURAL ELECTRIFICATION ADMINISTRATION

Report on

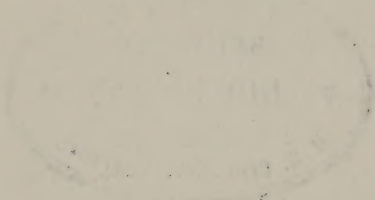
WESTERN AREA INTERIM FIELD CONFERENCE
Newhouse Hotel, Salt Lake City, Utah 11/1953

February 2-5, 1953



Approved:

R. B. Zook
E. G. Heffer
O. R. Howlin
Kenneth N. Hardy
George H. Cole



~~845200~~
Monday Morning - February 2

Conference Convenes

The Western Area Interim Field Conference was officially convened by Area Director Zook, at 8:30 A.M. on February 2, following the registration. The members of the Western Area field staff were all present with the exception of Miss Harriet Brigham who was on extended annual leave due to illness in the family. Also present were members of the field staff of the Western Section of the Division of Controller and of the Program Analysis Division.

The following personnel from the Washington office were present:

- R. G. Zook, Area Director
- J. H. Rixse, Jr., Office of the Administrator
- E. G. Keffer, Assistant Area Director
- H. C. Starns, Chief, Personnel Division
- G. H. Cole, Area Electrical Engineer
- F. R. Hamlin, Area Operations Specialist
- K. N. Hardy, Area Loans Specialist
- K. O. Peters, Program Analysis Division
- L. Ludlow, Irrigation Specialist, Operations Division
- W. Arnett, Electric Retail Rate Specialist, Operations Division
- H. C. Paine, Examination Supervisor, Western Examination Section, Controller Division
- C. L. Schultz, Technical Operations and Maintenance Section, Engineering Division
- B. Krug, Information Services Division

All of the above were not present for all of the sessions of the conference but were scheduled to take part in either the general or special sessions as the program indicated.

Message of Welcome

Mr. Zook, in his opening message, welcomed all present and expressed the hope that all in attendance would benefit by the meeting and develop better working relationships between field and staff. He announced that Mr. Shepperd and Mr. Beall, both of whom were on the speaking program, would not be able to be present. In their stead, Mr. John Rixse, Jr., would represent the Office of the Administrator.

Talk by J. H. Rixse, Jr.

Mr. Rixse opened the conference with an effective talk on the borrower's responsibilities in member education, stressing the following important points for the borrower to remember:

1. Instill pride of ownership.
2. Emphasize the cohesiveness of the group.
3. Impress members with the concern they should have for meeting their obligations.
4. Stress the borrower's responsibilities for sound management.
5. Maintain an interest in the unserved establishments in the borrower's service area.
6. Instill a desire in members to make more and better use of facilities and of electricity in general.
7. Utilize electricity to promote farm income and welfare.

He further stated that REA is encouraging managers and directors to put the above program into action, but warned that REA is not expected to do it for the co-ops.

One field representative brought up this question: With the older generation dying off, moving away, or leaving their farms to the young ones, how can we impress the younger generation with the importance of the co-op and keeping it in good condition? Most of the young folks don't know and don't care where they get their electricity from, or how, just so they get it. They know nothing of the early struggles of the co-op and, therefore, are less apt to fight hard for its existence, if such a battle should develop.

A partial answer to this problem as given by Mr. Rixse is the junior board of directors for the co-op, although it was admitted it is a rough problem and won't be solved overnight.

Mr. E. G. Keffer and Mr. J. H. Rixse, Jr. jointly presented a discussion on REA policy bulletins and staff instructions.

Following Mr. Rixse's talk, a power use visual-caster demonstration was given by Mr. Lynn Ludlow which was very well received. He told the group that, as the years go by, the work of the REA program is getting harder, not easier, as some outsiders might imagine. He stressed the following three important parts of the REA programs: 1) member relations; 2) community relations; and 3) power use, or Electric Farming. He especially emphasized Mr. Wickard's statement in the form of the book he (Mr. Ludlow) projected (How Electric Farming Can Help Your Business - REA Bulletin 140-1.) Commenting from the floor, one GFR stated that three of the worst defects of co-op managers are inexperience, lack of training, and empire building.

Monday Afternoon - February 2

Mr. Zook discussed the progress of the Western Area from the time of reorganization to date, and stressed the importance of coordination of activities from the office and field point of view.

Progress to Date - Office

General - Electric Program

As of 1/1/53 - \$2,669,000,000 electric loans made
\$2,158,000,000 advanced

Est. 3,875,000 miles of REA-financed lines constructed

As of 6/30/52, est. 88.1% of farms receiving central station service leaves about 970,000 rural est. to be served.

Repayment

\$254,000,000 principal)
\$140,300,000 interest) paid as of 1/1/53

\$722,300 delinquent over 30 days (\$300,000 in Western Area)

Loan funds available

\$165,000,000 for fiscal 1953 - apparently not sufficient to cover loan requests.

Western Area

Loans

- a). Rescission of unused section 4 and 5 loans
- b). Applications on hand 7/1/52 - 56
 Loans made 7/1 to 1/21 - 28
 Applications on hand 1/21/53 - 71
- c). 1950 census figures, by counties, for all states in area obtained and distributed.
- d). 2 borrowers paid off - Wash. 30 by conversion to a PUD.
 - Utah 9 by sale to Telluride Power Co.
 2 borrowers will pay off - Wash. 42 will pay off 3/5/53
 Cal. 40A will be rescinded

leaving 196 active borrowers.

In addition, there are 6 potentials in U.S. (Cal. 36, 38, 39;
Nev. 5, 12;
Wyo. 20)
plus one in Alaska (Alaska 17)

- e). As of 1/21, 108 KWH estimates out of 196 had been received -- all systems in Nebraska in the 96 Loup set up are now under survey.
- f). As of 1/21, 48 loans still had stop orders in effect. A central record of these is kept by Operations, with each stop order assigned as the responsibility of one of the sections. When conditions are met, that section writes the form of release and Loans completes and forwards the request. Periodic check is made of status of these Stop Orders.
- g). For production control purposes, we now list applications under preparation in the field. Please report any that come to your attention.

Engineering

- a). Progress of delegated responsibilities on generating plants checked by this office with Power Division.
- b). Out of 96 borrowers on CPA list, 44 had engineers approved for work order inspection as of 1/21/53.
- c). Review being given of possible use of payroll engineers on this work.
- d). Policy bulletin now in works to permit small contract work on a negotiated basis.
- e). Electric facilities maps now available for Nebraska, Kansas, Colorado-Wyoming in preparation - expect Montana this year also.

Operations

- a). Follow-up by budget letter on unadvanced legal fees for closeout or transfer based on revised R/W and title procedure.
- b). Capital credits committee of REA reestablished and policy questions being referred to it.
- c). Out of 96 borrowers on CPA list, 67 had auditing firms approved as of 1/21/53
- d). Based on large number of rate review cases, control sheet showing status has been set up. (We furnish the Retail Rate Section with approximately 60% of its work).
- e). Formal procedure for retail rate studies being established.
- f). Control sheet kept by Operations on status of requests for headquarters facilities.
- g). Debt service charts obtained and sent out as requested. Data for calculating this was also recently sent to GFR's.
- h). Data, as time permitted, for initial use of Bulletin 140-1 sent out. Supplemental data for making necessary calculations also sent.
- i). 10 systems delinquent as of 12/31/53.

Office of Director

- a). Definition of balanced management program
- b). Working agreements with BPA firmed up, especially on rates.
- c). Questions raised in field reports reviewed with Specialists in staff meetings
- d). Area Directors, Policy Advisory, Current Problems, Engineering, Loans, Operations Committees established and functioning.
- e). Handbook for GFR's in progress.

Where Do We Go From Here

Personnel

First of all, let us consider the administrative matters pertaining to the operation of the Western Area. As of the present time, there are 42 people in the office and two vacancies; 31 people in the field with two vacancies. Three of these people are on loan from the Operations Division and are therefore subject to work in other areas depending on the need.

Travel

The area has operated within the travel budget through December 31, 1952 and it is expected we will stay within the budget for the fiscal year; however, this may mean some reduction in travel costs in the third and fourth quarters.

Itineraries

As of the present time, the itinerary system is operating fairly well. There are a number of problems not yet solved and based on the information obtained from you at this meeting, we'll hope that further improvements can be made.

Assignments

As of now it will be necessary to give more direction from the area office to assignments to field representatives. These assignments will be based on the relative priority of effort needed with respect to borrower's problems with emphasis on working out plans for borrowers who represent either actual or potential loan security problems. Other assignments will be based on the need for reviewing problems such as area coverage, technical operations and maintenance, and power use. The assignments themselves will be general in scope but with specific results to be attained. It is expected that the means and methods of obtaining these results will be worked out in the field by you people.

Training

There is in process of preparation a form of handbook for general field representatives based on the previous management handbook furnished to all management field representatives under the previous divisional setup. For the engineers, in connection with these interim field conferences and we hope the annual field conferences, efforts will be made to schedule meetings for additional training in the technical engineering subjects. For all personnel, efforts will be made at this and other meetings to thoroughly cover the processing of loans in order that all will be informed as to data needed from the field in order to properly and efficiently process a loan application. The training of management and power use representatives in their specialty will be covered to some extent in conjunction with additional training for general field representatives, but it is recognized that special emphasis will be required for the techniques of these particular specialists.

The following is my analysis of the work which will be required by each of the three sections of the area office and a summary of the field work required in connection with each:

LOANS SECTION -- Office

- a. Continue to expedite the processing of loans so as to relieve the backlog of loan applications.
- b. Obtain the remaining kwh estimates needed for distribution borrowers in the area (as of the present time, approximately 88 additional kwh estimates are required).
- c. Review and completion of data on system boundaries for each borrower (to be brought up to date and administratively approved.)

LOANS SECTION -- Field

- a. The 1950 census figures show that 292 out of 563 counties in the Western Area (continental U.S. only) have less than 80% of the farms receiving central station service. This shows a need for directed effort to find means to bring service on an economical basis to these unserved consumers.
- b. For long-range planning purposes, there is a continued need for area coverage and unelectrified farm surveys for loan and system study purposes.

ENGINEERING SECTION -- Office

- a. The evaluation of technical operations and maintenance program for each borrower with priority to those representing either an actual or potential loan security problem.
- b. The encouragement of continuing activities by borrowers in the job training and safety program.
- c. The completion of selection of engineers by CPA borrowers for inspection and certification of work order construction. (As of this date, each GFR has been advised of those borrowers for whom we have no record of such selection).
- d. Encourage revision of system studies as required for proper system planning.
- e. Review of projected loan requirements based on system studies and area coverage for feasibility purposes, long-range planning.
- f. Closing and accounting for acquisitions not yet spread to plant accounts.

ENGINEERING SECTION -- Field

- a. Continuation of technical operations and maintenance appraisal of borrowers on priority basis as dictated by loan security criteria.
- b. Advance engineering planning in connection with service to unserved areas.
- c. Encouragement of the reporting by borrowers of excess equipment for sale or lease to others.

OPERATIONS SECTION -- Office

- a. Continue the preparation of case files on delinquent and adverse trend borrowers in order to assist in directing the efforts of the field staff in planning with borrowers to reduce delinquency and correct adverse trends.
- b. Review of need for power use work on individual borrowers and establish priority of effort in the Area.
- c. Continue preparation of debt service charts and other analyses required by field staff in assisting borrowers to better their operations.

d. Continue periodic review of excess funds in loan budgets available for transfer to other purposes.

e. Review need for intersystem transfers, change of boundaries or consolidations for greater operating efficiency.

OPERATIONS SECTION -- Field

a. Continued use of the audit report as a tool to review long as well as short range planning with borrowers' boards of directors.

b. Continue to encourage preparation and use of operating budgets.

c. Complete the preparation and presentation of the material contained in Bulletin 140-1 in order to thoroughly acquaint borrowers' boards and management of the need for proper planning to meet projected operating requirements.

d. Continue to prepare management analyses on a selected basis with maximum contribution from the system.

In summary, I feel that we have a good working group in the Western Area, both office and field. I believe that we have within this group the necessary qualifications and experience to guarantee a successful operation.

Tuesday Morning - February 3

Discussion of Work Problems

The entire morning and part of the afternoon was devoted to a discussion by headquarters and field personnel of common work problems.

The following subjects were discussed at great length, and practically everyone entered into the discussion.

Itineraries

Although it was the general consensus that all of the problems were not yet solved, the present procedure was working adequately and should improve as time passes. Better coordination and timing are needed between staff and field personnel.

Mr. Keffer stressed the point of getting the proposed itineraries into the Washington office prior to the 20th of the month. By doing so, it would allow sufficient time to check them, especially those of the specialists, and get them back into the hands of the traveler before the first of the month. It is also important that the general field representatives advise the Washington office of the needs of services for Management, Loans and Power-Use Field Representatives by the 20th in order that itineraries may be prepared and be in the hands of the specialists prior to the first of the month.

Field Reports

One of the points discussed by Mr. Keffer was the occasional lateness of some reports which hold up the travel vouchers. The General Accounting Office holds us as well as field personnel accountable for the authenticity of vouchers approved. The first thing they look for when auditing a voucher is to see if field reports have been submitted for every working day. Therefore, vouchers are held up until all of the reports are received for the period covered by the voucher.

Other subjects discussed were appointments, relationships, travel, correspondence and time reports. Mr. Keffer told all present that time reports had to be submitted right after the close of the pay period. A delay could mean the holding up of a pay check until it was received.

Tuesday Afternoon - February 3

Technical Operations and Maintenance

Mr. Chris Schultz put on his TO&M talk a day earlier than scheduled to take advantage of a larger audience since the conference was due to break up into three smaller groups the following day. His presentation, especially the slides, went over well. He explained that these were rough drafts and that the finished product would be clearer, sharper and with better color. The interpolation of actual photographs in the series of slides seemed especially effective. Mr. Schultz discussed the importance and application of a TO&M program in light of our borrowers present stage of development and our current administrative program. He gave particular emphasis to the review of borrowers' property and the quality of service being rendered to the members.

Some discussion centered on whether co-ops have a suitable projector. Mr. Schultz guessed that a good one could be had for about \$60. He said some co-ops need TO&M badly now and some will need it a few years from now, but eventually they will all need it.

Personnel Matters

In his illustrated talk, Personnel Chief Henry Starns said that the area head works for REA, but reflects the viewpoint of the employees. He discussed the Jensen rider, Whitten rider, annual leave restrictions, performance ratings, new reduction-in-force rules, and the disciplinary action resulting from travel discrepancies.

The following changes in RIF procedure, he said, will become effective February 15. Four classes will be set up:

- I. Career
 - a. Veteran First group includes all permanents
 - b. Non-veteran who are permanent in grade they now hold.
- II. Career Conditional
 - a. Veteran Second group includes temporary promotions in present grade, probations,
 - b. Non-veteran and reinstatements since Sept. 1, 1950.
- III. Indefinites
 - a. Veteran Third group includes all appointees
 - b. Non-Veteran since September 1, 1950
- IV. Temporaries, and
unsatisfactory ratings

Other news that Mr. Starns brought to the conference; lump sum annual leave payments are now out. The employee continues to get salary checks while he is on terminal leave. All promotions from GS-11 on up are not temporary. REAers without hospitalization are urged to join another hospitalization plan until the REA-GHA quota again opens up. "Ignorance of the law is no excuse" (speaking about certain misstatements on travel vouchers). Compensation for accidents is very slow as Compensation Commission is backlogged with work and acts slowly on claims.

He outlined several rules of "bumping": Personnel office, not employees, has responsibility to find prospective bumpee. Separatees get 30 to 90 days notice, but no more one-year furlough. Bumpers can bump as far back as necessary, not only one grade. Indefinites cannot bump. Bumping is reserved for Groups I and II (above). But non-veteran in Group I cannot bump veteran in Group II, since veterans preference still holds.

Wednesday Morning - February 4

The entire morning was taken up with the loans program. Area Director Zook presided, and K. N. Hardy, Area Loans Specialist, made the introduction. This was followed by a talk by Mr. K. O. Peters of the Program Analysis Division who presented a talk on "The Certification of KWH Estimates" which was well received.

Mr. Hardy next discussed the "loan packet - its analysis and recommendation" following which, a loan packet was actually prepared.

Wednesday Afternoon - February 4

All of the preceding two and one-half days schedule was presented at general sessions. The following day and a half was taken up with concurrent sessions; the GFR's, Management, Loans and Power Use Representatives meeting together, and a separate meeting for the Engineers.

The first above-mentioned group met to discuss the power use program, in relation to its presentation to the Board of Directors. A demonstration was given by Charles Elam to a group acting as a Board of a presentation of a planned program. Fred Hamlin, who acted as moderator and discussion leader told the conference that co-ops should start their power-use programs slowly and build up gradually. He said he has shocked many boards of directors into instituting power-use programs by showing them their debt service forecast, indicating the increasing amounts that they will be repaying to the government in the future. Mr. Hamlin stated that he strongly favored demonstrations rather than printed matter: "All the printed matter in the world is not worth one demonstration."

Some of the tools used in developing the need for a power-use program were stated by Mr. Hamlin to be:

- (a) Operating Reports
- (b) Debt Service Requirements
- (c) Feasibility Studies

During the same period, the Engineers met in a concurrent session for the purpose of discussing load studies, system studies, and the technical operations and maintenance program. Mr. George Cole, Area Electrical Engineer, presided and led the discussion. All of the engineers displayed keen interest in the subjects and entered into the discussion.

Thursday Morning - February 5

This day was entirely taken up by concurrent sessions with the same groups meeting together as was the case in the preceding afternoon.

During the entire morning and first hour of the afternoon, the subject of rates was the main topic for the first group. Fred Hamlin gave a nontechnical visual talk on rates as the borrower should understand them. This was followed by a discussion period during which time several questions were raised.

In connection with the wrong application of adopted rates, it was pointed out that individual consumers are sometimes given the benefit of a low rate to which they are not entitled. Managers should be cautioned against the trouble which this causes because of unjust discrimination in favor of certain consumers. Mr. W. W. Arnett, Rate Specialist, emphasized the importance of applying the rates in the manner called for in the rate schedule.

Another question asked was "where is the most desirable location of the low priced water heating block." The answer given was that the water heating block may be inserted either after the second block or after the third block of the rate schedule. The former gives the full benefit of the water heating block to small consumers and the latter gives no benefit unless monthly usage exceeds 200 KWH. Arguments for and against each of these portions of the water heating block were discussed in detail.

Mr. Arnett stated that REA favored moderate minimum bills but that the directors of a cooperative should decide as a matter of policy to what extent they could afford to subsidize small consumers at the expense of other consumers.

An hour was devoted to a discussion of the proposal made by several cooperatives to eliminate the commercial rate classification and a plan submitted by the rate section consisting of one rate for single-phase service to both farm and commercial consumers and another rate for three-phase service to both farm and commercial consumers. The general reaction of the managers who were questioned about this plan was that demand charges should be avoided in farm and residential rates. They believe that sometime in the future it might be necessary to use demand charges but for the time being there is no need to do so and they would prefer to continue to classify farm and commercial consumers separately in spite of the difficulties of applying such classifications.

Several favorable comments were received on the proposed new rate handbook. A number of miscellaneous questions were raised.

Messrs. Hamlin and Arnett outlined the contributions which the GFR and the borrower should make in connection with retail rate revision studies and large power applications. Following is a summary of this discussion which also includes information on the work involved in Washington on rate studies and large power applications.

Retail Rate Revision Studies

Borrower's Contribution

1. Collaborates in preparation of forecasts (for specified years - 2, 5 and 10 years hence) of:

Number consumers
KWH usage
Miles of line
System investment

2. Furnishes system study;
3. Furnishes consumer distribution by kwh usage;
4. Describes local rate problems to be solved;
5. Objectives it hopes to reach by rate changes; and
6. Suggests desired type of rate changes.

GFR's Contribution

When borrower expresses desire for a rate study:

1. Assists the manager to make a preliminary determination of whether a rate study is actually needed.
 - a) If a rate increase is proposed, determine whether it can be avoided by:

Operating economies - more efficient management.
Increased KWH usage - power use program.
 - b) If a rate reduction is proposed, determine:
 1. Has future debt service been considered?
 2. Is there deferred maintenance?
 3. Have the recommended reserves been set aside?
2. If rate revision appears to be needed:

Informs manager of borrower's part in making the study (see above).

3. Reports to Area Director describing the local situation, making recommendations and suggestions based on his appraisal of local conditions.

Time it takes REA to Make Rate Study

If all needed information is at hand the actual working time is:

1. Forecast by Loan Specialist. Two days.
 2. Expense estimate, etc., by Operations Specialist. Two days.
 3. Rate study by Rate Specialist. Four days.
 4. Approvals - Area Director, Administrator. Three days.
- Total working days - 11.

Sources of delay

1. No adequate system study.
2. No kwh certification by Program Analysis Division
3. Priorities in various offices - other work may be more urgent.

Delays of many months on rate studies have resulted from these sources.

Large Power Applications

Borrower should submit to Field Engineer:

1. Large power application.
2. Estimate work order.

In order to recommend a rate and power contract or review an executed power contract, Rate Section needs the Large Power Application. It tells us:

1. Consumers kw demand and kwh usage.
2. Borrower's new investment.
3. Distance from consumer to source of power (for estimating allocated share of system investment).

Time Required for Rate Recommendation

Working time - 1 to 4 hours.

Rush jobs can be handled by phone or wire. However, Rate Section now has a backlog of about 30 large power jobs in the office. This results in a delay of two to four weeks.

Sources of Information on Retail Rate Matters

Retail Rate Handbook

Booklet - "Large Power Rates and Contracts"

REA Bulletins and Instructions (see list in Rate Handbook).

Thursday Afternoon - February 5

The balance of the day was taken up with management problems with Fred Hamlin as moderator. The subjects covered and the persons making the presentations are as follows:

1. Management Analysis - F. R. Hamlin
2. Comparison with Feasibility - B. Bliss, Management Field Representative
3. Comparison with averages of other borrowers - F. R. Hamlin
4. Use of Forecast - Thomas Lett, Management Field Representative
5. Cash Budgeting - Harry Reising, Management Field Representative

The field engineers met in a concurrent session with G. H. Cole, Area Electric Engineer, presiding, for the entire day. The subject discussed was "Transmission Line Design" and the persons leading the discussion were as follows:

1. Economic Selection of Conductor - G. H. Cole
2. Selection of Ruling Span Pole Height and Class - W. Hauck, Field Engineer
3. Span Limitations - H. Leary, Field Engineer
4. Line Angle Limitations - R. Holland, Field Engineer
5. Anchors and Guys - L. A. Smith, Field Engineer
6. Template - R. Leon, Field Engineer
7. Insulator Swing Chart - L. Kirkbride, Field Engineer

Conference Adjourns

During the last half-hour of the conference, both groups joined together in a general session to hear the closing remarks by Mr. Zook. The conference was officially adjourned at 5:30 p.m.

